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AddThe Potato Price-Support Programs

A brief statement of background, methods, and results of the potato price-support activities carried out by the Department of Agriculture in compliance with the Steagall Amendment.

Long-time records show that potato surpluses have occurred in about 7 years out of every 10. This situation arises from the fact that the exact potato acreage needed in any given year can be determined in advance only by the use of an estimated yield per acre. If the actual yield differs from the estimate, a surplus or shortage results.

In setting up goals for potato production, it would be plainly unwise to assume too high a yield. This procedure would eliminate surpluses but it would also increase the probability of serious shortages in any given year. For this reason, a conservative yield is used, based on historical crop records and adjusted to take account of improved production practices, seed, fertilizer, and spray materials. In this way we can make reasonably sure of having enough potatoes each season, but we must also be prepared to deal with surpluses in some seasons.

This creates a further problem. Potatoes are composed of water (80 percent), starch (16 percent), and fiber, minerals, vitamins, and other constituents (4 percent). Because potatoes remain living plant tissue they are subject to sprouting, damage from bacteria, fungi, mechanical injuries, bruises, and loss of moisture. They can be stored successfully for any length of time only under conditions of low temperature (40 to 50 degrees F. is best), high humidity, and darkness. Early potatoes, dug while the tops are still green and the tubers still immature, are the most perishable of potatoes and must be moved promptly into consumption.

This highly perishable nature of potatoes accounts for the fact that losses of potatoes are the rule, not the exception. To cite one example: In 1934, the quantity of potatoes represented by shrinkage, loss after harvesting, and by feeding to livestock, amounted to more than 41 million bushels. In the same year, 163,000 acres of potatoes were abandoned without being harvested, due partly to bad weather and partly to poor price prospects. These losses occurred on farms and in shipping point warehouses. While such losses are a matter of statistical record, they customarily receive no extensive publicity. Since the passage of the Steagall Amendment, however, the Government has been active in acquiring and disposing of all eligible potatoes

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which could not be marketed at the minimum price fixed by law. In carrying out these operations, some losses have occurred and accounting for them as a matter of public record has had the effect of focusing public attention upon them for the first time.

Background of USDA Price-Support Programs

The Steagall Amendment (a measure designed to assure adequate food supplies during the war) under which the Secretary of Agriculture is required to support the price of any agricultural commodity for which he publicly requested an increase in production, was passed in 1941. By amendment, this was amplified to require continuation of price support during the emergency and for 2 calendar years following December 31, 1946, the date on which the emergency was declared ended. Potatoes were made a "Steagall commodity" November 28, 1942, have been supported since that time, and, under this legislation, will continue to be supported until December 31, 1948.

Level of Price Support

The level of support is fixed at not less than 90 percent of the parity price as of the beginning of the marketing year. Parity is the price a commodity produced by farmers must command to be equal in relative value to the commodities farmers buy. For potatoes it is computed by multiplying the average price received by farmers from August, 1919, through July, 1929, by the index of prices paid by farmers, and adjusting this base price to take into account the grading, sacking, inspection, and loading of potatoes for shipment.

Methods of Price Support

The Department has utilized several approaches in carrying out its statutory price support obligations. One method has been the purchase program, under which the Department buys potatoes at applicable support prices and disposes of them in available non-commercial outlets. This plan has proved particularly adaptable to early crop potatoes, which cannot be stored.

Another approach has been a loan program under which persons eligible for price support have been able to pledge potatoes as collateral for loans under varying conditions. Principally, the borrower has been held responsible for quantity and quality of the loan potatoes up to settlement time, and his loan has been settled at applicable support prices.

Under diversion programs, participants have usually been processors or livestock feeders who purchase potatoes at support prices for their own account and receive compensating indemnity payments. A variation of this involves indemnity payments in connection with exports of potatoes.

Disposition of Potatoes Acquired

Potatoes acquired by the Department under its price-support operations are disposed of in both food and non-food channels.

Food Outlets: These get first priority, and the first move is to give attention to domestic school lunch and welfare outlets able to use potatoes in carload lots. Potatoes are furnished f.o.b., including transportation. Exports are pushed energetically, but the element of perishability limits them almost rigidly to cool weather months.

Next, potatoes are processed for food use, including dehydration and manufacture of flour, starch, and glucose. Dehydration is expensive, the cost (exclusive of the cost of the potatoes) ranging from 12 to 25 cents per pound. Pound for pound, dehydrated potatoes and wheat have about equal caloric value. So, even when the Department has offered potatoes to processors for as low as 1 cent per 100 pounds f.o.b. for dehydration, takers have been few.

There has been relatively little demand from abroad for either potato flour or starch. Domestically, the use of potato starch is confined principally to industrial purposes, largely to the manufacture of fine textiles, and with few exceptions the demand for potato flour has been light both historically and currently.

Production of glucose, a newer and less known potato product, has been small and much of it in crude form has been used as a constituent in mixed animal feeds.

Non-food Outlets: First outlet here is for livestock feed. Indirectly, this is a food use but, oddly, people who do not consider it wasteful to feed corn, oats, or other grains to livestock do consider it wasteful to feed potatoes. Yet production of potatoes specifically for livestock feed is a standard operation in Europe.

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The only planned disposition of potatoes wholly outside of food lines has been in the distillation of alcohol. This was particularly useful in connection with the huge 1946 crop, when there was the coincidence of short grain supplies. The Department was able to utilize about 30 million bushels which would have been wasted had there not been a demand for them in the manufacture of beverage and industrial alcohol.

Potato Losses Under Price Support

Some losses are inevitable in handling a perishable commodity, but they receive little public attention when the burden falls on private enterprise. Private enterprise ordinarily buys only what it thinks it can sell. The Department is compelled to buy, under the Steagall Amendment, all potatoes offered which are eligible for price support. This means that acquisitions must sometimes exceed outlets. But even in the 1946 season when losses were greatest (26.5 million bushels) they amounted to only 5.7 percent of total production.

In 1947 losses up to the end of October had totaled about a half million bushels, or slightly over one-tenth of 1 percent of total production as estimated for October 1.

The Problem of Funds

The Department is unauthorized to take the additional steps necessary to export, process, or otherwise handle potatoes to prevent all loss. The principal reason is that the Department is obligated to support prices to growers. It has certain funds to discharge this obligation, and none for carrying out foreign relief projects.

Statistics

Statistics of potato price support operations during the 1946 and 1947 seasons are shown on the attached tables. While this statement is issued as of November 15, the statistical page is revised with sufficient frequency to satisfy most purposes.

